



Public Health Committee
March 19, 2014

Testimony of Trip Pilgrim, Senior Vice President of Development
Tenet Healthcare

S.B. No. 460 (RAISED) AN ACT CONCERNING HOSPITAL CONVERSIONS AND
OTHER MATTERS AFFECTING HOSPITALS.

Senator Gerratana, Representative Johnson, members of the committee, my name is Trip Pilgrim and I am the Senior Vice President of Development for Tenet Healthcare. I'm here today to testify on SB 460, An Act Concerning Hospital Conversions and Other Matters Affecting Hospitals.

Tenet is one of the largest for-profit hospital groups with 77 hospitals nationwide and approximately 200 outpatient centers. We have partnered with Yale New Haven Health System to propose an innovative solution to ensure Bristol, Manchester, Rockville and Waterbury Hospitals remain a vital part of the state's communities, and continue to provide quality patient care for the state's residents.

For many hospitals in the state, as well as the nation, the current not-for-profit model is simply no longer viable. With state and federal funds being cut, and the implementation of the Affordable Care Act, the healthcare industry is drastically changing, and hospitals need to adapt. An attractive solution for some hospitals is entering into innovative and strategic partnerships with for-profit institutions.

We recognize and respect the concerns that people have with converting some of the state's hospitals to for-profits. We fully support having safeguards and regulations in place to protect hospital employees and the communities they serve. We believe the current system strikes the right balance; it protects patients, workers, and Connecticut's communities while giving hospitals the flexibility to respond to the changes taking place in the healthcare industry. The current system allows hospitals to adapt to the new healthcare landscape, so they can continue to provide quality patient care in a community setting.

Understandably, we have heard a lot of concerns about job security. I'd point out that last year, with the not-for-profit profit model, Connecticut hospitals laid off approximately 1,400 people. Regarding staffing, we commit to ensuring our institutions are staffed appropriately to provide top-notch care to our patients. In San Antonio, for example, we converted five hospitals to for-profit institutions in 2003. Back then, there were 4,500

employees combined; today, there are approximately 5,500 people employed by the five hospitals.

There continues to be a lot of confusion surrounding what a for-profit hospital is and what it isn't. Both for-profit and not-for profit hospitals have the same mission: to provide the highest quality care to all those who need it, including the uninsured and under insured, and to be an economic engine for the communities in which they serve.

Being a for-profit does have its benefits. For-profit hospitals are able to access capital more easily than not-for-profits. We take that money, and we invest it in new equipment and services to advance patient care and services. We also invest in our hospitals' infrastructure to make them more modern and comfortable. For example, we invested \$900 million in our hospitals in San Antonio, and we have committed to investing \$500 million of construction capital and \$350 million of routine capital in the Detroit Medical Center.

We also pay income, property and sales taxes. For Connecticut cities and towns, this will bring millions of dollars of new tax revenue.

Being a for-profit does not mean the less fortunate will lose access to care. The charity care provided at Tenet Healthcare hospitals matches or exceeds comparable not-for-profit hospital. In 2013, we provided more than \$700 million in uncompensated care for the under insured and uninsured.

It also does not mean we cut quality. If you cut quality, you end up with an empty hospital. Physicians have a choice, and if quality is poor, they will take their patients to another facility. Based on the Joint Commission and Leapfrog 2013 reports, our quality scores are higher than three-quarters of Connecticut's not-for-profit hospitals. Both for-profits and not-for-profits also follow the same patient care services and licensing rules, including the State Department of Health, the Joint Commission for Accreditation, and Medicare.

If Tenet becomes part of some of Connecticut's communities, we commit to preserving the hospitals' place in the local community. We will provide top-notch patient care, we will treat our employees with the respect and dignity they deserve, and we will bring to bear resources that are currently not available – ones that will stabilize and sustain these vital healthcare delivery systems.

Thank you for the opportunity to speak with you today. I will be happy to answer any questions you may have.

Promises made and kept

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SAN ANTONIO -- The wallpaper was peeling. The entrance was small and uninviting. Mismatched linoleum and old carpeting, a no-no in today's germ-conscious world of hospital infection control, covered the floors.

Seven years and \$450 million later, the flagship hospital and four others in the Baptist Health System in San Antonio provide proof of how Vanguard Health Systems -- an investor-owned company in Nashville, Tenn., that plans to buy the nonprofit Detroit Medical Center -- transformed an institution teetering on bankruptcy into its and San Antonio's most successful hospital system.

The system there also shows how Vanguard honored its commitment to care for the area's poor people, a key issue raised by three nonprofit community organizations about the purchase of the DMC, the region's largest provider of care to poor and uninsured people.

Vanguard created a foundation to dole out community grants for projects and gave \$50,000 in start-up money to fund a clinic that opened in November for working but uninsured people in San Antonio. Three or four more clinics are planned to open this year, said Jim Young, executive director of the Faith Family Clinic, where patient enrollment soared from 25 in January to 249 in March, after a Hispanic TV station aired a report on the clinic.

Saving lives, impressing skeptics

"I'd probably be dead in a few years if I hadn't found this place," said Adriana Valdez, 43, a diabetic patient who came to the clinic in January with vision loss in both of her eyes, triggered by a flare-up of sarcoidosis, an autoimmune disorder that can cause inflammation and other complications.

Valdez was diagnosed at 31 with breast cancer but has gone 10 years without mammograms because she has no health insurance, even though she works two jobs as a home health care aide. She went to flea markets, where she took advice from herbal and alternative-medicine vendors. She also used her mother's leftover medicines or traveled to Mexico to buy cheap drugs, an option she no longer uses because of border and other issues.

Now, with medicines from the Faith Family clinic, her vision has returned, her diabetes and blood pressure are under control and her outlook is good. She pays \$10 a visit.

The clinic and grants to numerous community programs are big reasons why Vanguard has won over its skeptics, from the head of the county government to the public health director.

Vanguard "certainly has been socially responsible in this community," said Dr. Fernando Guerra, director of health for Metro Health, San Antonio's public health system.

Nelson Wolff, chief of the county commission, said he worried whether Vanguard "would keep its commitment to the downtown. I've been very happy with their participation and involvement in the community," he said. Wolff said Vanguard is one of several health systems in the city that the county hopes to enlist to collaborate on the construction of a children's hospital.

Company did what it set out to do

Baptist Health was in shambles at the time of the Vanguard purchase in 2003. Trip Pilgrim, the company's senior vice president and former CEO of the Baptist system, described it as "heavy lifting from day one."

Duggan said that Detroit will gain even if the Blackstone Group, which owns 66% of Vanguard's stock, sells the company, just as the metro area gained when the county developed the McNamara Terminal for Northwest Airlines, which later merged with Delta Air Lines. Whatever happens to Vanguard, "we'll be a whole lot better off with an investment of million of dollars that will serve this community for years," Duggan said.

Duggan has spent hours meeting with community and employee groups to win support for the sale. The DMC recently sent thousands of color brochures describing the benefits of the purchase and asking for support by signing a Web-based petition at www.dmc.org/petition or by calling 313-745-1114.

There's overwhelming support for the sale among employees and civic leaders, Duggan said. Even the coalition of three nonprofit community organizations that initially released a news release calling the sale illegal said it merely hopes to raise questions about the legality of the sale and wants to ensure that Vanguard will keep the DMC's long-term commitments to care for poor people.

Spending on new projects will begin the day Cox approves the purchase. First up includes a new outpatient pediatric facility for the DMC's Children's Hospital of Michigan, Pilgrim and Duggan said. Of Vanguard's commitment to stay in Detroit, Duggan said:

"You don't put \$850 million into a place because you think it will be closed or you won't get your investment back. We believe Detroit will be the centerpiece of the company (Vanguard) for generations to come."

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Abstract (Document Summary)

In a city once embarrassed because it didn't have a single hospital certified to provide round-the-clock emergency care and surgical backup for stroke patients, Vanguard earned respect by partnering with the University of Texas Health Science Center to create a model stroke network at its St. Luke's Baptist Hospital, where the company invested millions in new equipment to offer minimally invasive alternatives to surgery for stroke patients. Vanguard gave \$3.5 million and has since heavily funded the Baptist Health System School of Health Professions, which offers classroom and online instruction in hot health care fields, including a two-year nursing degree, medical imaging and surgical technology.

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